

Policy Statement regarding Legally Permissible Rates of Interest for State-chartered Credit Unions

In accordance with state law, credit unions may charge, per §7-1-658, 1¼% per month or 15% per annum on the unpaid balance. Or, they may charge the higher amount that a financial institution may charge. A financial institution is, according to §7-1-4, a bank or a federal credit union for the purposes of this law.

The Federal Credit Union Act provides, in §1757 (§ 107) that a federal credit union may make loans to members in conformity with criteria established by the Board, that may not exceed 15% per annum inclusive of all finance charges. NCUA apparently has for some time issued a ruling every 18 months as allowed by this law, to say that 18% is allowed, inclusive of all finance charges.

Since Georgia law §7-1-658 allows a rate that any financial institution may charge, and since a federal credit union is a financial institution, a state credit union may make a member loan of any size for 18% per annum, inclusive of all finance charges (or greater than \$3,000 as discussed below in option 4). This is a little different from the state law in §7-4-2(a)(2), because that rate of 16% for loans under \$3,000 that applies to banks does not include an allowable fee (see AG Opinion 2003-8) but is subject to criminal usury caps. This means that a 16% per annum loan that has an allowable loan fee of say, \$100, must undergo another analysis so that when the \$100 and any other fees are included, it cannot exceed 60% per annum or 5% per month. The 18% rate does include all finance charges. Finance charge would be defined by NCUA.

This leaves Georgia state credit unions with the following choices:

1. Use 15% per annum on unpaid balance (§7-1-658).
2. Use 18% per annum inclusive of all finance charges (NCUA law at §1757).
3. For a loan under \$3000, use a rate of 16% per annum, with a documented, reasonable loan fee (AG Opinion 2003-8 and §7-4-2(a)(2)). This rate has a criminal usury cap of 5% per month (§7-4-18), and that rate includes all fees of any sort.
4. For a loan over \$3,000, use a rate not to exceed 5% per month inclusive of all fees is allowed under state law (§7-4-18) for financial institutions.